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Application of Pacific Gas and Electric Company to Establish a Demonstration Climate Protection Program and Tariff Option.

A.06-01-012

NOTICE OF EX PARTE COMMUNICATION

Pursuant to Rules 8.2, 8.3 and 8.5 of the Commission's Rules of Practice and Procedure, the Division of Ratepayer Advocates (DRA) gives notice of the following ex parte communication in this proceeding.

At 2:30 p.m. on December 5, 2006, in the San Francisco offices of the CPUC, Jacqueline Greig and Aaron Johnson of DRA met with Andrew Campbell, advisor to Commissioner Rachelle Chong. The communication was both oral and written. The written material is attached to this notice. Ms. Greig and Mr. Johnson explained that DRA supports the concept of a climate protection program, but recommended modifications to PG&E's proposal with respect to tax deductibility and the allocation of Administrative and Marketing (A&M) costs, and supports the Proposed Decision of Administrative Law Judge Thomas as a reasonable balance between party positions.

Copies of this Notice may be obtained by contacting Sue Muniz at (415) 703-1858 or sam@cpuc.ca.gov.

Respectfully submitted,

/s/ DIANA L. LEE

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December 8, 2006

DRA Recommendations - Dec. 5, 2006

PG&E Climate Protection Tariff (CPT) A.06-01-012

- **PG&E Proposal** - A three year climate demonstration program to give customers the opportunity to make their electricity and gas usage “climate neutral” or better, by offsetting the associated greenhouse gas (GHG) emissions, beginning with forestry sequestration projects.
 - Customers can choose to participate and pay premium of \$4.31 per month.
 - PG&E is asking that all ratepayers pay for the administration and marketing costs associated with the program.
- **DRA Testimony** - Supports the concept of a climate change tariff and PG&E’s efforts to establish a voluntary climate protection program, but as proposed, the program is neither voluntary nor structured to maximize customer benefits.
 - The Administrative and Marketing (A&M) costs of \$16 million are almost as much as the “stretch” revenue (\$20 MM) expected to be collected under the program for green house gas reductions.
 - A&M costs should be shared between shareholders and participants, as shareholders will derive good-will benefits from offering the program.
 - Program should be tax-deductible.
- **ALJ Thomas PD** - Strikes a reasonable balance between party positions.
 - Allocates A&M costs 50/50 between participants and ratepayers.
 - Requires investigation of tax deductibility.
 - Puts shareholders at modest risk for 75% of program participation goal.
- **Commissioner Peevey Alternate** - Allocates all A&M costs to ratepayers.
 - In effect, makes the program non-voluntary as ratepayers would be required to subsidize the program costs.
- **DRA Recommendation** - Support the PD as it balances the allocation of A&M costs.
 - The allocation of 50% of the A&M costs to participants sends a correct price signal of the costs of becoming climate neutral.
 - The premium impact will be 4.5%, only slightly over the 4% level asserted by PG&E will result in a decline in enrollment.
 - With tax deductibility, the premium impact will be less and enrollment will likely increase.
 - In PD Comments, DRA recommended an A&M allocation of 50% participants, 25% ratepayers, 25% shareholders, as an even more fair approach given both the PD and APD findings that **“PG&E shareholders will benefit from the CPT, at the very least through enhanced goodwill for the company.”**

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CERTIFICATE OF SERVICE

I hereby certify that I have this day served a copy of “**NOTICE OF EX PARTE COMMUNICATION**” by using the following service:

☒ **E-Mail Service:** sending the entire document as an attachment to an e-mail message to all known parties of record to this proceeding who provided electronic mail addresses.

☐ **U.S. Mail Service:** mailing by first-class mail with postage prepaid to all known parties of record who did not provide electronic mail addresses.

Executed on December 8, 2006 at San Francisco, California.

/s/ JANET V. ALVIAR

Janet V. Alviar

N O T I C E

Parties should notify the Process Office, Public Utilities Commission, 505 Van Ness Avenue, Room 2000, San Francisco, CA 94102, of any change of address and/or e-mail address to insure that they continue to receive documents. You must indicate the proceeding number on the service list on which your name appears.

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